

## Peter Hartnett – A perspective from the Luberon

I'm writing these views on the current situation as a Bond and Futures Trader and Financial analyst who's seen many crises over almost 40 years. I am more scared right now for the future than at any time since the nuclear showdown of the 1980's.

Up until this weekend most of us have been rather too sanguine.

I question the actions of the Governments of the Western World, who are taking the lead on this, on how best to deal with this crisis. These are politicians, often with little experience in the real commercial world, whose decision making, judgement (and integrity) are not always exemplary. Admittedly, they are doing their very best and being advised by the best health professionals in the world but clearly there are different schools of thought as to how to deal with this. Mass indefinite lock down of populations / confinement or herd immunity? Health professionals want to save lives and are perhaps blinkered re the social and economic consequences of their actions.

I live in up on a hill in rural Provence-I'm all right Jack. Twenty years ago, I decided that with global communications and super-fast internet, why would anyone want to live and work in a filthy metropolis when they could live in Paradise. So, I bought 4 big houses that I rent out. [www.paradisenprovence.com](http://www.paradisenprovence.com) - shameless plug, incidentally I've just got one "escape house" available!



However, whilst my French property investments did well, prime London real estate then promptly rose five-fold over the next 15 years- not my best call! That said, the chickens are coming home to roost and right now whilst I'm relatively safe, I really fear for those living in such an urban environment.

We've only been in lockdown over here in France since Monday, one's only allowed to go to the local shop and for the moment there are no supply chain issues. All is eerily calm. However, we're now hearing that this lockdown could continue for several more weeks. I believe that western economies will not survive despite government help of more printed money, that follows a decade of QE.

We live in a world where our biggest enemy is not the virus. Rather than microbes, it's rather fear and information overload from social media that is the greatest enemy.

At no time in history has the human race had such a level of instant communication. This could potentially be our downfall as news, fake news, and images spread panic faster than any virus.

## The current proposal

Ironically, top of the list for many years of the National Risk Register is a 1/ "flu pandemic" followed by 2/ floods and 3/ Vesuvius erupting. The government should, therefore, already have a plan in place but there has been much prevarication and confusion of late. Amazingly, despite awareness of this risk, the NHS is woefully short of ventilators which WILL save people's lives. The UK government's U turn decision last week to suddenly confine everybody reflects the fact that otherwise vulnerable people will die without ventilators. The government needs to buy time to source more ventilators.

Most governments have concurred that in order to save lives, we must stay confined at home, those infected to self-isolate, and thus “freeze” the economy indefinitely and print a LOT more money whilst continuing to support business and pay people as all commerce is suspended. Seeing that all the health experts inform us that no vaccine will be available for a year to 18 months, how long might this confinement go on for? and to what purpose? Rather than perhaps accept the inevitable, that this highly virulent strain of flu will spread like all previous flu epidemics.

Surely, unless we can totally eradicate the virus, which is currently impossible, once we all emerge again in a few weeks or months, won't the flu just inevitably start spreading again?

## But what happens to the world in the meantime?

Whilst we all sit at home, in the absence positive news and increasing death tolls, financial markets will continue to tank. Market professionals and individuals fearing the total loss of their assets will continue to sell global markets with no foreseeable good news on the horizon, i.e. the vain hope of a vaccine within the year.

Here's one “off the wall” proposal - it sounds absurd, but could governments agree to suspend all capital markets on the grounds of health? It's never been proposed, and we certainly didn't have any health issues, as reasonable grounds for closing exchanges in WW2.

Any Stock Exchange is ultimately there to create liquidity and raise money in capital markets. It's only relatively recently that they've become massive system driven casinos and hunting grounds for hedge funds. I think we can safely say that with everyone hiding at home, no company has any chance of raising any money in capital markets before a vaccine is developed. If every other business is being suspended on health grounds, why not suspend all the exchanges and dealing rooms and hope that a vaccine is developed. As most global businesses are on hold, bar healthcare and food production, let the Central Banks and Governments continue to provide any necessary liquidity in the meantime.

Otherwise, with the inevitable spread of the virus and a lot more casualties, I fear that the next problem to come is a repeat of the 2008 financial crisis as asset values crumble and trigger banking defaults. Once there's a loss of confidence in money itself, we'll be potentially looking at the abyss. Except this time, printing a lot more money will no longer cut any ice.

At this point there will be a liquidity crisis. Moreover, inevitably those currencies, already heavily laden with debt, might collapse as confidence ebbs away. The usual almighty petro-chemical US dollar, confronted with zero demand for oil, might be abandoned by the Chinese who'll conclude that the imminent massive US recession is a good reason to stop throwing good money after bad and stop buying bonds and funding the US deficit, as consumer demand for Chinese goods evaporates.

Moreover, inevitably liquidity will dry up and with money falling in value, everybody will be rushing to secure more food. This has been a recurrent theme in South America and specifically as recently as last year in Venezuela and famously in the Weimar Republic in Germany of hyperinflation in the 1920's.

Furthermore, we live in a world where at least two generations aren't accustomed to any form of hardship, let alone hunger. Once food supplies inevitably dwindle as supply chains get cut, we will risk riots and looting. Whilst we have experienced localised rioting and looting in recent times, once this starts this time, the real danger is that any images of looting will rapidly spread like a virus across social media and this could potentially trigger global looting (remember the image last week of Americans queuing up to buy guns...) Then, presumably fewer food deliveries as drivers fear for their lives. Why risk your life to deliver goods that'll be paid for with tanking currency?! Just hold on to the food.

With already massively depleted numbers of Police and the Armed Forces, it is going to be impossible to retain law and order. Thus, we descend into chaos and potentially violence/death will follow and a complete global break down of society as we know it. All the time, every other nation's grim news spreading across the planet by social media.

## THE SOLUTION

Facing the potential latter scenario of meltdown, let's assume all those vulnerable and aged who are already self-confining, continue to self-confine. Nothing's going to change their predicament until we come up with a vaccine.

We need to CONTINUE to supply them with food, support and medicine, but without any physical contact or risk of infection. Whatever happens, in the current lockdown they are forced to stay at home anyway as they simply can't risk being exposed to infection.

They must continue in this mode until a successful vaccine is developed.

However, to all those people who aren't supposedly at risk, approx. 70% of us, go back to work immediately. Whilst all the health experts prevaricate over what percentage of people might succumb to this virus, we simply cannot put the world "on hold" till we find a vaccine. There's just too much debt out there. Let's remember that the UK working population consists of approx. 28m people, the demographic would suggest that these are statistically, the very best equipped group to successfully fight the disease and build herd immunity.

So, keep calm and carry on. Yes, all those people are ultimately going to get this virus sooner or later, and hopefully most of us will feel like we've had a dose of flu which will be over in a week or so. Thereafter we're immune. We all know of someone who's already got the bug and most normal healthy people get over it quickly. Yes, inevitably whatever we do, a lot of people will die every year, according to the US Centre for Disease Control and Prevention, seasonal flu kills up to 646,000 people. But we've turned into a society that isn't necessarily caring but IS obsessed with the duration and preservation of life.

We are going to have to accept that a lot of old people's lives might end slightly prematurely as has been the case in Italy. According to their stats, 87% of those who have died from the disease were over 79 years old and had underlying health problems.

We have evolved through evolution over hundreds of thousands of years and have come through many such pandemics. Let's not forget we have a global population of almost 8,000,000,000 people and to date 11,000 people have died.

We cannot risk social and economic meltdown and the consequences will devastate our children's future. Hopefully, we'll all learn some big lessons from this and create a better caring world. But please, let's not be the generation who let society implode on our watch because we follow the politicians lead and let our world collapse because of a flu bug that risked potentially killing less than 5% of the population.

Without hopefully sounding callous, perhaps we need to focus on the next generation rather than the existing aged one. However, if we continue to follow our governments advice, we will only emerge from our bunkers once a vaccine is found, but I fear that by then it'll be too late.

What will be the brave, potentially anarchic new world that awaits us?

We need to act very quickly.

Footnote. I have just read an article in yesterday's Times by Philip Aldrick, similar thinking and the Dutch government are already considering this strategy - There are economic consequences in trying to save lives on a mass scale.

<https://www.thetimes.co.uk/article/there-are-economic-consequences-in-trying-to-save-lives-on-a-mass-scale-tpgwmw935?shareToken=4a6b12b06ca852926248af51182c816b>

**Peter Hartnett**

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